

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
July 26, 2011**

1. CALL TO ORDER & ROLL CALL

Rohimah Moly, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 11:19 a.m.

Members Present: Rohimah Moly for Bill Lockyer, State Treasurer
David O'Toole for John Chiang, State Controller
Pedro Reyes for Ana J. Matosantos, Director, Department of Finance

Staff Present: Michael Paparian, Executive Director
Sherri Kay Wahl, Deputy Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Moly asked if there were any questions or comments concerning the June 28, 2011 meeting minutes. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the minutes; upon a second, the minutes were approved by the following vote: Rohimah Moly, aye; Pedro Reyes, aye; and David O'Toole, abstain.

3. EXECUTIVE DIRECTOR'S REPORT

Mr. Paparian introduced the newest member of the CPCFA staff, Alejandro Ruiz. Alejandro is a recent graduate of the University of California at Berkeley. Mr. Ruiz is working as an Analyst in the Bond program. Alejandro's responsibilities include assisting with bond issues and CPCFA regulations. He has already attended the Office of Administrative Law Regulations course.

This summer the California Capital Access Program (CalCAP), benefited tremendously from the help of Student Aid, Jake Egger. Mr. Egger has completed his work with CPCFA and staff wishes Jake well in his future studies.

Mr. Paparian stated that there have been discussions nationally about state level "green banks." Connecticut recently enacted legislation to establish a state green bank. Christine

Agenda Item 2.

Solich, Executive Director of the California Alternative Energy and Advanced Transportation Financing Authority, (CAEATFA), and Mr. Paparian have had discussions with some of the proponents of green banks. Between CAEATFA and CPCFA, the Authorities already have the major components of a green bank, but lack the name. CPCFA has been providing funding for environmental projects since 1973. It has robust programs to assist with recycling, wastewater, water quality, brownfields, clean air, energy efficient transportation, alternative fuels and more. CAEATFA has programs for green manufacturing, green project financing and energy efficiency and other energy related items. Staff will inform the Board as they learn about anything happening nationally that might be constructive for California.

Mr. Paparian stated that he is required to inform the Board of actions he takes involving contracts between \$10,000 and \$300,000. CPCFA contracted with Forest Economic Advisors (FEA), as an independent consultant to conduct a review and verification of a 100-page project feasibility report prepared by Stephen Vajda Consulting for the CalAg project.

Last November FEA prepared an independent review and verification of an independent consultant's report of a proposed medium density fiberboard manufacturing facility to be constructed by CalPlant, LLC in Willows, California. The CalAg deal has not issued bonds yet and the report will have to be refreshed prior to closing. CPCFA increased its contract with FEA from \$38,500 to \$49,999 in order to have the consultant available to update the report when CalAg closes. To date, CPCFA has paid FEA \$37,000. CalAg will reimburse CPCFA upon closing.

Staff determined that CPCFA would need about \$15,000 more to complete the report for the bond issuance. As there are only three experts in the field, and FEA was the only one that responded to the original proposal, staff submitted to the Department of General Services (DGS) a Non-Competitively Bid package for \$15,000 for a new contract with FEA. DGS rejected the package and recommended that CPCFA use the 30% rule under which staff can prepare an amendment to an existing contract to increase the contract dollar value by 30% based on certain provisions of the state contracts manual (Volume 1, 5.80.B.2.d.). During discussions with DGS, this was determined as the best way to move forward since DGS needs to approve the contract. Hence, the contract amount of \$49,999.

4. BUSINESS ITEMS

A. APPROVAL OF POST-ISSUANCE COMPLIANCE PROCEDURES

Presented by: Patricia Tanous, Program Manager

The Internal Revenue Service (IRS) recently revised a key form (known as Form 8038) the Authority executes whenever a new issue of tax-exempt bonds occurs. The IRS revisions to Form 8038 require attention to post-issuance reporting and responsibilities by issuers.

Authority staff has internal procedures for monitoring arbitrage compliance and for responding to changes in use of bond proceeds, and bond-financed assets. However, a formal policy has not been adopted by the Board. The Treasurer's Office prefers that conduit authorities/issuers not check a box on an IRS form in the negative. Two of the

Agenda Item 2.

authorities (California Health Facilities Financing Authority and California Educational Facilities Authority) have already adopted post-issuance compliance procedures.

In consultation with Orrick, Herrington & Sutcliffe LLP, the attached written procedures were developed to permit an affirmative response to the IRS revisions to Form 8038. The procedures are fully consistent with current CPCFA practices. The procedures address three major issues:

1. Arbitrage rebate and yield;
2. Use of bond proceeds and bond-financed or refinanced assets (including remedial action, if necessary); and
3. Record keeping requirements.

Staff recommended the Authority adopt the post-issuance compliance procedures.

Ms. Moly asked if there were any questions or comments from the Board or public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

B. REQUEST TO APPROVE EXTENSION OF INITIAL RESOLUTIONS REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

1) Evergreen Oil, Inc. (Application No. 00813(SB))

Presented by: Jayme Feldmann, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested an extension of Initial Resolution No. 08-07 for three years for an amount not to exceed \$4,095,000 to finance the acquisition of additional sites and the expansion of the company's current operating location in Carson to provide for greater processing and storage capacity. The company requested an extension in order to permit completion of financing of the project.

Ms. Moly asked if there were any questions or comments from the Board or public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

2) Evergreen Oil, Inc. (Application No. 00768(SB))

Presented by: Jayme Feldmann, Analyst

Staff introduced Tony Cone of Westhoff, Cone & Holmstedt.

Staff requested to extend Initial Resolution No. 05-03 for an additional three years for an amount not to exceed \$22,990,000 to finance site preparations and improvements, new equipment and related costs for the expansion of an existing hazardous waste processing facility (principally a used oil refinery) located in Newark.

Ms. Moly asked if there were any questions or comments from the Board or public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

C. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND TAX-EXEMPT VOLUME CAP ALLOCATION

1) Bay Counties Waste Services, Inc. dba Specialty Solid Waste & Recycling

Presented by: Jayme Feldmann, Analyst

Staff introduced Mark Holmstedt of Westhoff, Cone & Holmstedt.

Staff requested approval of a Final Resolution and Volume Cap Allocation for an amount not to exceed \$20,250,000 to finance the purchase of equipment, rolling stock, and vehicles, as well as the acquisition of drop boxes, bins, carts and containers. The company also plans to purchase the land that it is currently leasing.

Ms. Moly asked if there were any questions or comments from the Board or public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item; upon a second, the item was unanimously approved.

5. PUBLIC COMMENT

Ms. Moly asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:31 a.m.

Respectfully submitted,

Michael Paparian
Executive Director